

Cost Savings Guideline - 6.4.G (07/11/01)

[Last Update: \(07/11/01\) ABachicha:kma - 6.4.G.0](#)

[Cost Savings Procedures - 6.4.G.1](#)

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This guideline is being revised to address the Lockheed Martin Agreements as reportable cost savings.

Definitions

A **sole source has been broken** when the SCR awards a contract utilizing a competitive process and two or more responsive proposals are received in lieu of a properly justified and credible sole source.

Although no precise definition of **cost savings** will fit all purposes, basically, cost savings will be considered to exist when the SCR negotiates a change to a Contractor's original quote, which results in the final contract price or cost being lower than it would have been due to the SCR's action, or takes some action prior to issuing solicitations which will cause the Contractor to quote lower for this requirement than they ordinarily would, or takes any innovative action which results in the avoidance of unnecessary expenditure of funds.

An approved **sole-source/sole-make** is a requirement for noncompetitive acquisition justified in accordance with SNL policy and which addresses the three-part sole-source justification criteria in a credible manner.

Cost Savings Procedures - 6.4.G.1

All reportable cost savings must be entered into the Oracle system at the time of contract placement.

Contract cost savings are realized, when the SCR will:

- perform cost savings action,
- enters cost savings in Oracle, and
- documents cost savings in PAS.

Reportable Cost Savings - 6.4.G.1.a

Following are some examples of reportable cost savings actions:

- negotiating reductions in quoted price/rate/cost elements, fee or profit,
- accumulating requisitions to obtain volume discounts,
- consolidating or changing requirements which result in a lower price/rate/cost while still meeting SNL's minimum actual needs,
- making cost-effective multiple awards,
- breaking a sole-source which had apparent validity and was properly approved by the requesting organization, and
- Use of Lockheed Martin Agreements (see P.G 5.2) when the cost saving can be quantified. SCR shall include quotation instruction 980-A26 titled, "Orders Against Lockheed Martin and/or Engineering Process Improvement Agreements," in all solicitations.

Unreportable Cost Savings - 6.4.G.1.b

Following are some examples of cost saving actions not reportable under the guidelines of this instruction:

- accepting Contractor's offer(s) without negotiations (did not result from SCR initiative-- unless award breaks an apparent sole-source or cost-effective multiple awards are made),
- reducing the scope of work for the sole purpose of meeting a budget limitation, and
- reporting cost savings on options where full contract amounts are not yet authorized (cost savings for unauthorized portions of contract amount may be claimed as a revised estimate after increased amount is authorized).

References - 6.4.G.2

- Policy and Guideline 1.3 - Competitive vs. Noncompetitive Purchases
 - Policy and Guideline 2.1 - Solicitation Document
 - Policy and Guideline 3.1 - Best Value Source Selection/Commercial-Like Practice
 - Policy and Guideline 3.2 - Contract Price/Cost Considerations
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Send feedback on ideas and information on this page to the Process Expert, Adolph Bachicha.

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